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17 APR 1978

MEMORANDUM FOR: Chief, Soviet/East European Division
THROUGH : Inspector General ✓
FROM : []
Chief, Audit Staff
SUBJECT : Reports of Audit, Proprietary Activities
PDPORAL and PDDYNAMIC (S)
For the Year Ending 30 June 1977

1. (U) Attached are copies of the subject audit reports for your information. No action is required.

2. (U) We appreciate the cooperation and assistance extended the auditors.

Attachments

Distribution:

✓ Orig. & 1 - C/SE Division
1 - SSA/DDA
1 - DDO/EPDS
1 - D/Fin
1 - O/IG

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CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3828
NAZI WAR CRIMES DISCLOSURE ACT
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REPORT OF AUDIT Project PDDYNAMIC

For the Period
1 July 1976 - 30 June 1977

BACKGROUND AND SCOPE

1. PDDYNAMIC provides for the exploitation of nationalistic and cultural tendencies existent in the Ukranian Soviet Socialist Republic. The activity publishes a monthly political literary magazine as well as books, pamphlets, and leaflets which are infiltrated into the USSR for clandestine distribution. The publications are designed to provide intellectual and moral support to those Ukranians inside the Soviet Ukraine who seek moderation of the Soviet political system.

2. PDDYNAMIC was covered by the first Presidential Finding of 10 January 1975 pursuant to Section 662 of the Foreign Assistance Act of 1961 (as amended). The activity has been reviewed by the Special Coordination Committee of the National Security Council and was approved by the President in March 1977.

3. The audit included a site visit to PDTENURE, one of the two project instrumentalities. At PDTENURE, MHCLIMB, an Audit Staff proprietary, examined financial records, controls and procedures. The audit of PD TERRACE, the project instrumentality located overseas, was limited to a review of financial statements prepared and certified by PD TERRACE. Related covert records, controls and procedures were reviewed at Headquarters by Audit Staff personnel to determine compliance with applicable regulations.

AUDIT COMMENTS

4. Controls and procedures governing the custody and use of Agency resources were found to be effective and in compliance with applicable regulations. During the audit year the Agency advanced \$1,000,000 to the two project instrumentalities and the instrumentalities incurred net expenses of \$1,000,000. The Agency investment in PDDYNAMIC instrumentalities at 30 June 1977 was \$1,000,000. Further financial information may be found in the attached Exhibit. Copies of the MHCLIMB overt report are on file with the Audit Staff and will be made available on request. There are no recommendations resulting from this audit.

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Exhibit

PDDYNAMIC
Statement of Changes in Agency Investment
1 July 1976 - 30 June 1977

	<u>Combined</u>	<u>PD TENURE</u>	<u>PD TERRACE</u>
Balance, 1 July 1976	\$ [
Advances	_____	_____	_____
Total			
Net Expenses	_____	_____ a/	_____
Balance, 30 June 1977	=====	===== b/	===== c/]

a/ Consists of \$ [] of administrative expenses and \$ of covert expenses.

b/ Consists of working capital of \$ [] and the depreciated value of furniture and fixtures of \$ [].

c/ Consists of cash on hand at the branch office of \$ [] and cash on hand in the book and digest account of []

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